

Township of Casco
Allegan County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended June 30, 2008

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Township of Casco, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Casco, Michigan, as of June 30, 2008, and for the year then ended, which collectively comprise the Township of Casco, Michigan's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Casco, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Casco, Michigan, as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Township of Casco, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.



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Board of Trustees
Township of Casco, Michigan
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Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Township of Casco, Michigan's basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Township of Casco, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sigfried Crandall P.C.

January 15, 2009

BASIC FINANCIAL STATEMENTS

Township of Casco
STATEMENT OF NET ASSETS
June 30, 2008

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 1,636,244
Receivables	289,432
Prepaid expenses	<u>13,061</u>
Total current assets	<u>1,938,737</u>
Noncurrent assets:	
Receivables	1,296,633
Long-term advance to other governmental units	515,397
Capital assets not being depreciated - land	72,830
Capital assets, net of accumulated depreciation	<u>311,612</u>
Total noncurrent assets	<u>2,196,472</u>
Total assets	<u>4,135,209</u>
LIABILITIES	
Current liabilities:	
Payables	171,592
Current maturities of long-term debt	<u>132,854</u>
Total current liabilities	304,446
Noncurrent liabilities - long-term debt	<u>1,296,633</u>
Total liabilities	<u>1,601,079</u>
NET ASSETS	
Invested in capital assets	384,442
Restricted for:	
Public safety	670,652
Public works	225,880
Health and welfare	44,266
Recreation and culture	62,412
Unrestricted, unallocated	<u>1,146,478</u>
Total net assets	<u>\$ 2,534,130</u>

See notes to financial statements

Township of Casco
STATEMENT OF ACTIVITIES
Year ended June 30, 2008

	<u>Program revenues</u>			Net (expenses) revenues and changes in net assets
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Governmental activities</u>
Functions/Programs				
Governmental activities:				
Legislative	\$ 4,528	\$ -	\$ -	\$ (4,528)
General government	217,045	122,044	-	(95,001)
Public safety	302,159	31,321	-	(270,838)
Public works	323,792	4,289	5,611	(313,892)
Health and welfare	171,142	12	15,492	(155,638)
Community and economic development	94,798	4,940	26,501	(63,357)
Recreation and culture	14,490	-	-	(14,490)
Interest on long-term debt	<u>94,223</u>	<u>94,223</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 1,222,177</u>	<u>\$ 256,829</u>	<u>\$ 47,604</u>	<u>(917,744)</u>
General revenues:				
Taxes				852,636
State grants				209,759
Investment income				<u>80,872</u>
Total general revenues				<u>1,143,267</u>
Change in net assets				225,523
Net assets - beginning				<u>2,308,607</u>
Net assets - ending				<u>\$ 2,534,130</u>

See notes to financial statements

Township of Casco
BALANCE SHEET - governmental funds
June 30, 2008

	<u>General</u>	<u>Road</u>	<u>Fire and Ambulance</u>
ASSETS			
Cash	\$ 649,935	\$ 287,740	\$ 593,294
Receivables	102,445	-	-
Due from other funds	63,448	16,088	1,450
Prepaid expenses	10,561	-	-
Long-term advance to other governments	515,397	-	-
Total assets	<u>\$ 1,341,786</u>	<u>\$ 303,828</u>	<u>\$ 594,744</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	\$ 101,862	\$ 14,500	\$ -
Due to other funds	17,538	63,448	-
Deferred revenue	50,900	-	-
Total liabilities	<u>170,300</u>	<u>77,948</u>	<u>-</u>
Fund balances:			
Reserved for long-term advance	515,397	-	-
Reserved for building inspections	75,908	-	-
Unreserved:			
Undesignated	580,181	225,880	594,744
Undesignated, reported in nonmajor special revenue funds	-	-	-
Total fund balance	<u>1,171,486</u>	<u>225,880</u>	<u>594,744</u>
Total liabilities and fund balances	<u>\$ 1,341,786</u>	<u>\$ 303,828</u>	<u>\$ 594,744</u>

Total fund balances - governmental funds

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Long-term liabilities, including contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of governmental funds

<i>Debt Service</i>	<i>Other governmental funds</i>	<i>Totals</i>
\$ -	\$ 105,275	\$ 1,636,244
1,481,152	2,468	1,586,065
-	-	80,986
-	2,500	13,061
-	-	515,397
<u>\$ 1,481,152</u>	<u>\$ 110,243</u>	<u>\$ 3,831,753</u>
\$ -	\$ 3,565	\$ 119,927
-	-	80,986
1,481,152	-	1,532,052
<u>1,481,152</u>	<u>3,565</u>	<u>1,732,965</u>
-	-	515,397
-	-	75,908
-	-	1,400,805
-	106,678	106,678
<u>-</u>	<u>106,678</u>	<u>2,098,788</u>
<u>\$ 1,481,152</u>	<u>\$ 110,243</u>	<u>\$ 3,831,753</u>
		\$ 2,098,788
		384,442
		1,532,052
		(51,665)
		<u>(1,429,487)</u>
		<u>\$ 2,534,130</u>

See notes to financial statements

Township of Casco**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds**

Year ended June 30, 2008

	<u>General</u>	<u>Road</u>	<u>Fire and Ambulance</u>	<u>Debt Service</u>
REVENUES				
Taxes	\$ 167,209	\$ 228,906	\$ 413,153	\$ -
Licenses and permits	31,321	-	-	-
Intergovernmental	-	-	-	-
State grants	238,691	-	-	-
Charges for services	21,661	-	-	-
Interest and rentals	56,973	8,175	18,080	100,882
Other	13,308	-	-	184,249
	<u>529,163</u>	<u>237,081</u>	<u>431,233</u>	<u>285,131</u>
Total revenues	<u>529,163</u>	<u>237,081</u>	<u>431,233</u>	<u>285,131</u>
EXPENDITURES				
Legislative	4,528	-	-	-
General government	207,574	-	-	-
Public safety	29,697	-	233,862	-
Public works	95,790	291,214	-	-
Health and welfare	-	-	92,859	-
Community and economic development	94,656	-	-	-
Recreation and culture	2,300	-	-	-
Capital outlay	4,192	-	38,600	-
Debt service:				
Principal	-	-	-	184,249
Interest	-	-	-	100,882
	<u>438,737</u>	<u>291,214</u>	<u>365,321</u>	<u>285,131</u>
Total expenditures	<u>438,737</u>	<u>291,214</u>	<u>365,321</u>	<u>285,131</u>
NET CHANGE IN FUND BALANCES	90,426	(54,133)	65,912	-
FUND BALANCES - BEGINNING	<u>1,081,060</u>	<u>280,013</u>	<u>528,832</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,171,486</u>	<u>\$ 225,880</u>	<u>\$ 594,744</u>	<u>\$ -</u>

<i>Other governmental funds</i>	<i>Totals</i>
\$ 124,296	\$ 933,564
-	31,321
6,672	6,672
8,820	247,511
-	21,661
-	184,110
12	197,569
<u>139,800</u>	<u>1,622,408</u>
-	4,528
-	207,574
-	263,559
-	387,004
78,283	171,142
-	94,656
12,190	14,490
-	42,792
-	184,249
-	100,882
<u>90,473</u>	<u>1,470,876</u>
49,327	151,532
<u>57,351</u>	<u>1,947,256</u>
<u>\$ 106,678</u>	<u>\$ 2,098,788</u>

See notes to financial statements

Township of Casco

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - *governmental funds***

Year ended June 30, 2008

	<i>Total governmental funds</i>
	<u></u>
Net change in fund balances - total governmental funds	\$ 151,532
Amounts reported for <i>governmental activities</i> in the statement of activities (page 6) are different because:	
Capital assets:	
Assets acquired	72,155
Provision for depreciation	(14,364)
Long-term debt:	
Principal repayments	184,249
Changes in other assets/liabilities:	
Net decrease in accrued interest expense	6,659
Net decrease in deferred revenue	<u>(174,708)</u>
Change in net assets of <i>governmental activities</i>	<u>\$ 225,523</u>

See notes to financial statements

Township of Casco
STATEMENT OF FIDUCIARY NET ASSETS - Agency Fund
June 30, 2008

ASSETS

Cash	\$ <u>1,651</u>
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LIABILITIES

Due to others	\$ <u>1,651</u>
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See notes to financial statements

Township of Casco
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Casco, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Township has determined that no outside agency meets the above criteria and, therefore, no outside agency has been included as a blended or discretely-presented component unit in the Township's financial statements.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Township of Casco
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Road Fund accounts for Township road improvements financed through property taxes.

The Fire and Ambulance Fund accounts for the fire protection and ambulance services financed through property taxes.

The Debt Service Fund accounts for collection of assessments and interest, and the payment of long-term debt related to Water and Sewer improvements.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB).

The Township reports one fiduciary fund, its Tax Collection Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted revenues are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

Township of Casco
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets other than infrastructure are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township elected to account for infrastructure assets prospectively, beginning July 1, 2003.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Equipment	5 - 7 years
Shared road costs	20 years

v) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vi) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the activity level. Amounts encumbered for purchase orders, contracts, etc., are tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Township of Casco
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued):

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
General	General government	Assessor	\$ 35,171	\$ 37,312	\$ 2,141
Hospital	Health and welfare	Hospital	-	46,170	46,170

NOTE 3 - CASH:

The Township's cash is as follows:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Totals</u>
Cash	\$ 1,636,244	\$ 1,651	\$ 1,637,895

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At June 30, 2008, \$1,438,752 of the Township's bank balances of \$1,638,752 was exposed to custodial credit risk because it was uninsured and uncollateralized. The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Township's individual major and nonmajor funds are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Special assessments</u>	<u>Interest</u>	<u>Total</u>
General	\$ 3,180	\$ 99,265	\$ -	\$ -	\$ 102,445
Debt Service	-	-	1,429,487	51,665	1,481,152
Nonmajor - Senior Services	-	2,468	-	-	2,468
Totals	<u>\$ 3,180</u>	<u>\$ 101,733</u>	<u>\$ 1,429,487</u>	<u>\$ 51,665</u>	<u>\$ 1,586,065</u>
Non-current portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,296,633</u>	<u>\$ -</u>	<u>\$ 1,296,633</u>

All receivables are considered to be fully collectible.

Township of Casco
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2008, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 72,830	\$ -	\$ -	\$ 72,830
Capital assets being depreciated:				
Buildings	242,000	-	-	242,000
Infrastructure - shared road costs	166,879	69,733	-	236,612
Equipment	41,494	2,422	-	43,916
Subtotal	450,373	72,155	-	522,528
Less accumulated depreciation for:				
Buildings	(143,000)	(6,000)	-	(149,000)
Infrastructure	(14,963)	(6,521)	-	(21,484)
Equipment	(38,589)	(1,843)	-	(40,432)
Subtotal	(196,552)	(14,364)	-	(210,916)
Total capital assets being depreciated, net	253,821	57,791	-	311,612
Governmental activities capital assets, net	\$ 326,651	\$ 57,791	\$ -	\$ 384,442

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 7,701
Public works	6,521
Community and economic development	142
Total governmental activities	\$ 14,364

Township of Casco
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - PAYABLES:

Payables as of year end for the government's individual major and nonmajor funds are as follows:

<i>Fund</i>	<i>Accounts</i>	<i>Payroll</i>	<i>Inter- governmental</i>	<i>Total</i>
General	\$ 50,360	\$ 10,427	\$ 41,075	\$ 101,862
Road	-	-	14,500	14,500
Nonmajor - Parks and Recreation	<u>3,565</u>	<u>-</u>	<u>-</u>	<u>3,565</u>
	<u>\$ 53,925</u>	<u>\$ 10,427</u>	<u>\$ 55,575</u>	<u>\$ 119,927</u>

NOTE 7 - LONG-TERM LIABILITIES:

Long-term debt at June 30, 2008, is comprised of the following individual issues:

Contracts payable:

\$800,728 1995 water and sewer assessments, due to Allegan County in annual installments through 2015; interest at approximately 6.2% \$ 199,130

\$773,396 1998 water and sewer assessments, due to Van Buren County in annual installments through 2019; interest at approximately 5.8% 288,717

\$1,591,678 2000 water and sewer assessments, due to Van Buren County in annual installments through 2021; interest at approximately 6.3% 800,865

\$297,269 contracts payable, due to South Haven and Casco Township Water and Wastewater Treatment Authority in various annual installments; interest at approximately 6.0% 140,775

Total contracts payable \$ 1,429,487

Long-term liability activity for the year ended June 30, 2008, was as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
Contracts payable:					
1995	\$ 231,920	\$ -	\$ (32,790)	\$ 199,130	\$ 24,891
1998	320,956	-	(32,239)	288,717	26,247
2000	884,022	-	(83,157)	800,865	61,605
Unbonded	<u>176,838</u>	<u>-</u>	<u>(36,063)</u>	<u>140,775</u>	<u>20,111</u>
Total long term liabilities	<u>\$ 1,613,736</u>	<u>\$ -</u>	<u>\$ (184,249)</u>	<u>\$ 1,429,487</u>	<u>\$ 132,854</u>

Township of Casco
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - LONG-TERM LIABILITIES (Continued):

Debt service requirements at June 30, 2008, were as follows:

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 132,854	\$ 88,569
2010	132,854	80,352
2011	132,854	72,133
2012	132,854	63,916
2013	132,854	55,699
2014 - 2018	554,155	160,532
2019 - 2021	<u>211,062</u>	<u>24,979</u>
Totals	<u>\$ 1,429,487</u>	<u>\$ 546,180</u>

The Township is contingently liable for \$6,038,845 of outstanding water and sewer system contracts payable in excess of the amounts which are to be repaid from collections of special assessments currently levied against properties within the Township. The Township has pledged its full faith and credit toward the total amounts due and anticipates that additional future assessments and other customer charges will be used to pay the contract liabilities.

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES:

At June 30, 2008, the composition of interfund balances is as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Fund</u>	<u>Payables</u>
General	\$ 63,448	Road	\$ 63,448
Fire and ambulance	1,450	General	1,450
Road	<u>16,088</u>	General	<u>16,088</u>
Total	<u>\$ 80,986</u>	Total	<u>\$ 80,986</u>

The amount due to the General Fund from the Road Fund represents short-term borrowing to cover road expenditures. The interfund balances due to the Fire and Ambulance and the Road Fund from the General Fund represent tax receipts held temporarily by the General Fund.

NOTE 9 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Charter Township of Casco
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - JOINT VENTURE BALANCES AND TRANSACTIONS:

The Township, together with the Township of South Haven, established a joint water and sewage treatment authority under the provisions of Public Act 233 of 1955, in order to acquire and operate water and sewage treatment systems to benefit both townships. The Township has advanced \$515,397 for its share of the costs of the authority and anticipates reimbursement in the future, including interest of \$50,900.

The Township has joined the City of South Haven and the Townships of South Haven and Geneva in establishing a joint emergency services authority to provide fire and ambulance services in the authority's area of operation, which includes the Township of Casco. The operations of the emergency services authority are financed by taxes levied annually within the participating units of government. During the year ended June 30, 2008, the Township contributed \$365,321 toward the authority's operations.

The Township has joined the cities of South Haven and Bangor and the Townships of South Haven, Geneva, and Covert in establishing a joint regional airport authority to provide airfield services in the authority's area of operation, which includes the Township of Casco. The operations of the regional airport authority are financed by annual contributions within the participating units of government, as well as hangar rentals and fuel sales. During the year ended June 30, 2008, the Township contributed \$41,075 toward the authority's operations.

NOTE 11 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended June 30, 2008, is as follows:

Revenues	\$ 31,321
Expenses	<u>29,697</u>
Excess of revenues over expenses	<u>\$ 1,624</u>
Cummulative excess, included in fund balance reservation of General Fund	<u>\$ 75,908</u>

NOTE 12 - RELATED PARTY TRANSACTIONS:

The Township entered into a contract for the program management of the Julian Stille project with Congruency, a company owned by Julie Cowie, the Township of Casco Clerk. The amount paid for the year ended June 30, 2008, was \$2,000.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Casco
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended June 30, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 162,700	\$ 162,700	\$ 167,209	\$ 4,509
Licenses and permits	42,000	42,000	31,321	(10,679)
State grants	217,500	217,500	238,691	21,191
Charges for services	19,300	19,300	21,661	2,361
Interest and rentals	43,200	43,200	56,973	13,773
Other	9,200	9,200	13,308	4,108
Total revenues	<u>493,900</u>	<u>493,900</u>	<u>529,163</u>	<u>35,263</u>
EXPENDITURES				
Legislative	<u>4,500</u>	<u>4,500</u>	<u>4,528</u>	<u>(28)</u>
General government:				
Supervisor	23,600	23,600	20,136	3,464
Elections	8,800	8,800	4,956	3,844
Assessor	28,000	35,171	37,312	(2,141)
Clerk	37,095	37,095	35,137	1,958
Board of Review	2,300	2,300	3,086	(786)
Treasurer	35,645	38,021	33,265	4,756
Building and grounds	23,150	24,250	20,702	3,548
Cemetery	35,700	39,240	36,525	2,715
Other	48,400	53,961	16,455	37,506
Total general government	<u>242,690</u>	<u>262,438</u>	<u>207,574</u>	<u>54,864</u>
Public safety - building inspections	<u>39,000</u>	<u>39,000</u>	<u>29,697</u>	<u>9,303</u>
Public works:				
Transfer station	65,650	71,650	51,091	20,559
Airport authority	41,000	71,445	41,075	30,370
Drains	15,000	15,000	67	14,933
Street lights	3,400	3,400	3,557	(157)
Total public works	<u>125,050</u>	<u>161,495</u>	<u>95,790</u>	<u>65,705</u>
Community and economic development :				
Planning and zoning	83,200	86,525	68,776	17,749
Economic development	<u>1,500</u>	<u>39,500</u>	<u>25,880</u>	<u>13,620</u>
Total community and economic development	<u>84,700</u>	<u>126,025</u>	<u>94,656</u>	<u>31,369</u>

*Township of Casco***BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)***Year ended June 30, 2008*

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Recreation and culture - other	<u>\$ 2,300</u>	<u>\$ 2,300</u>	<u>\$ 2,300</u>	<u>\$ -</u>
Capital outlay	<u>3,200</u>	<u>4,300</u>	<u>4,192</u>	<u>108</u>
Total expenditures	<u>501,440</u>	<u>600,058</u>	<u>438,737</u>	<u>161,321</u>
NET CHANGE IN FUND BALANCES	<u>(7,540)</u>	<u>(106,158)</u>	<u>90,426</u>	<u>196,584</u>
FUND BALANCES - BEGINNING	<u>1,081,060</u>	<u>1,081,060</u>	<u>1,081,060</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,073,520</u>	<u>\$ 974,902</u>	<u>\$ 1,171,486</u>	<u>\$ 196,584</u>

Township of Casco
BUDGETARY COMPARISON SCHEDULE - Road Fund
Year ended June 30, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 229,133	\$ 229,133	\$ 228,906	\$ (227)
Interest	<u>400</u>	<u>400</u>	<u>8,175</u>	<u>7,775</u>
Total revenues	229,533	229,533	237,081	7,548
EXPENDITURES				
Public works	<u>359,000</u>	<u>359,000</u>	<u>291,214</u>	<u>67,786</u>
NET CHANGE IN FUND BALANCES	(129,467)	(129,467)	(54,133)	75,334
FUND BALANCES - BEGINNING	<u>280,013</u>	<u>280,013</u>	<u>280,013</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 150,546</u>	<u>\$ 150,546</u>	<u>\$ 225,880</u>	<u>\$ 75,334</u>

Township of Casco

BUDGETARY COMPARISON SCHEDULE - Fire and Ambulance Fund

Year ended June 30, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 413,559	\$ 413,559	\$ 413,153	\$ (406)
Interest	<u>8,000</u>	<u>8,000</u>	<u>18,080</u>	<u>10,080</u>
Total revenues	<u>421,559</u>	<u>421,559</u>	<u>431,233</u>	<u>9,674</u>
EXPENDITURES				
Public safety - fire protection	265,000	265,000	233,862	31,138
Health and welfare - ambulance	95,000	95,000	92,859	2,141
Capital outlay	<u>-</u>	<u>38,600</u>	<u>38,600</u>	<u>-</u>
Total expenditures	<u>360,000</u>	<u>398,600</u>	<u>365,321</u>	<u>33,279</u>
NET CHANGE IN FUND BALANCES	61,559	22,959	65,912	42,953
FUND BALANCES - BEGINNING	<u>528,832</u>	<u>528,832</u>	<u>528,832</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 590,391</u>	<u>\$ 551,791</u>	<u>\$ 594,744</u>	<u>\$ 42,953</u>

SUPPLEMENTARY INFORMATION

Township of Casco
COMBINING BALANCE SHEET - nonmajor governmental funds
June 30, 2008

	<i>Special revenue funds</i>			<i>Total nonmajor governmental funds</i>
	<i>Hospital</i>	<i>Senior Services</i>	<i>Parks and Recreation</i>	
ASSETS				
Cash	\$ -	\$ 41,798	\$ 63,477	\$ 105,275
Accounts receivable	-	2,468	-	2,468
Prepaid expenses	-	-	2,500	2,500
Total assets	<u>\$ -</u>	<u>\$ 44,266</u>	<u>\$ 65,977</u>	<u>\$ 110,243</u>
LIABILITIES AND FUND BALANCES				
Liabilities - accounts payable	\$ -	\$ -	\$ 3,565	\$ 3,565
Fund balances - unreserved, undesignated	<u>-</u>	<u>44,266</u>	<u>62,412</u>	<u>106,678</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 44,266</u>	<u>\$ 65,977</u>	<u>\$ 110,243</u>

*Township of Casco***COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - *nonmajor governmental funds****Year ended June 30, 2008*

	<i>Special revenue funds</i>			<i>Total nonmajor governmental funds</i>
	<i>Hospital</i>	<i>Senior Services</i>	<i>Parks and Recreation</i>	
REVENUES				
Taxes	\$ 46,170	\$ 39,066	\$ 39,060	\$ 124,296
Intergovernmental	-	6,672	-	6,672
State grants	-	8,820	-	8,820
Other	-	12	-	12
	<u>46,170</u>	<u>54,570</u>	<u>39,060</u>	<u>139,800</u>
Total revenue	<u>46,170</u>	<u>54,570</u>	<u>39,060</u>	<u>139,800</u>
EXPENDITURES				
Health and welfare	46,170	32,113	-	78,283
Recreation and culture	-	-	12,190	12,190
	<u>46,170</u>	<u>32,113</u>	<u>12,190</u>	<u>90,473</u>
Total expenditures	<u>46,170</u>	<u>32,113</u>	<u>12,190</u>	<u>90,473</u>
NET CHANGE IN FUND BALANCES	-	22,457	26,870	49,327
FUND BALANCES - BEGINNING	-	21,809	35,542	57,351
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ 44,266</u>	<u>\$ 62,412</u>	<u>\$ 106,678</u>

January 15, 2009

To the Board of Trustees
Township of Casco

We have audited the financial statements of the governmental activities, each major fund , and the aggregate remaining fund information of the Township of Casco for the year ended June 30, 2008, and have issued our report thereon dated January 15, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 2, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Casco are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2008. We noted no transactions entered into by Township of Casco during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.



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The disclosures in the financial statements are neutral, consistent, and clear.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended June 30, 2008.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Casco's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the Township of Casco as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Casco's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls and, accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

- The Township has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. This is a recurring comment. The Township has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Casco and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall P.C.